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NOVEMBER 1988
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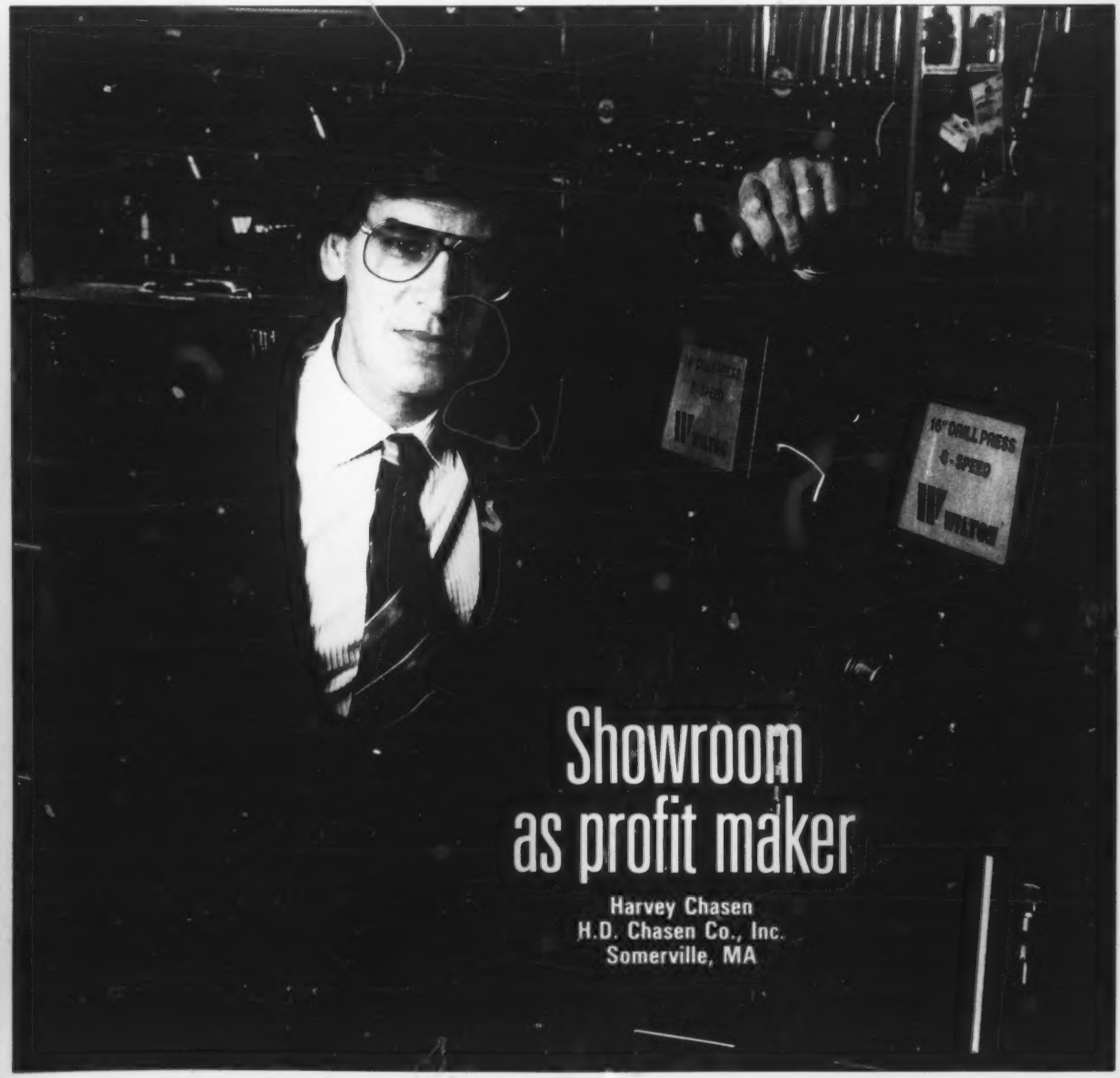
Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

SPECIAL:

Assessing computer needs



Showroom as profit maker

Harvey Chasen
H.D. Chasen Co., Inc.
Somerville, MA

Industrial Distribution

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VOL. 77, NO. 11 NOVEMBER 1988 A CAHNERS PUBLICATION

Harvey Chasen explains why he expects to double his display sales.

Cover photography by Dave Bradley

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With proper merchandising, your showroom can be an important profit maker. Distributors and manufacturers tell how to make your showroom area more productive.

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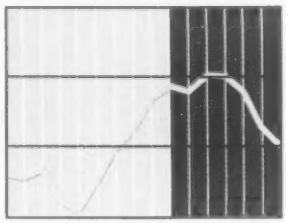

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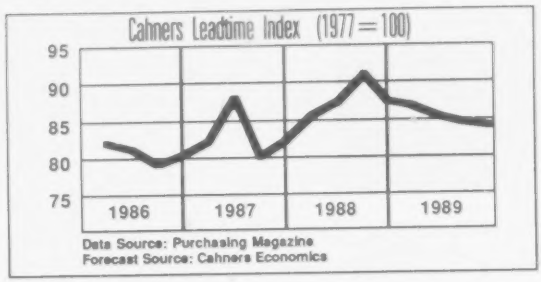
SUPPLY OUTLOOK

BY KRIS BLEDOWSKI

Operating rates are rising

Process industries are at full capacity

Tight supply conditions in the process industries are causing spot shortages and higher prices for many industrial materials. The situation is also starting to put upward pressure on prices of finished goods. Industrial production in the process industries rose a strong 5.1% in 1987 and provided the main thrust for the manufacturing sector's growth. Output in the early part of 1988 has continued at nearly the same pace, contributing to the supply problems. As a result, capacity utilization reached record-high levels. We forecast process industries to grow 4.5% in 1988.

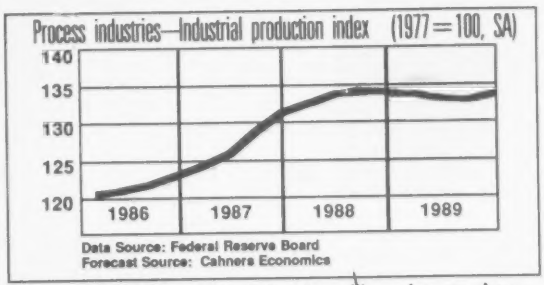


Operating rates for durable equipment have generally risen more than those for nondurable materials. Thus, advance processors are in a better position to meet rising demand than are firms in the process industries. The total industry capacity utilization rate reached 83.7% in August, up from 82.5% at the beginning of the year. The rate for nonelectrical machinery stood at 82.0%, up from 78.5%.

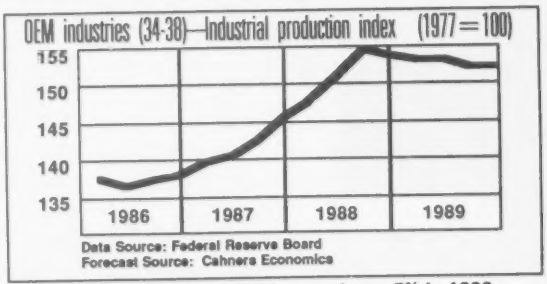
Industrial materials prices soared in the second half of 1987 and continued to climb in the first half of 1988. Chemical prices rose 12.2% in the first quarter of this year alone. We expect producer inflation to subside in 1989 due to expanded capacity and slower demand growth.

Total industrial production rose 0.8% in July and was up 5.8% compared to the same period a year before. The output index has increased 2.5% since the beginning of the year. Electronics, nonelectrical machinery and fabricated metals were among industries which registered the largest gains. Production is expected to continue rising until early next year.

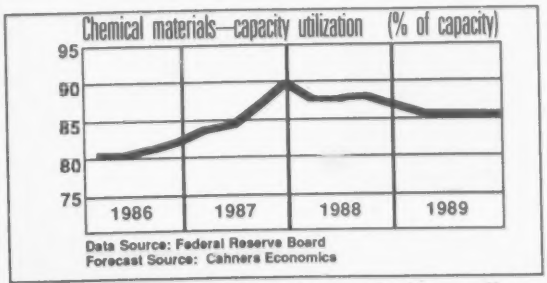
Tight capacity is pushing prices up in the consumer goods sector as well. The index of consumer packaged goods rose 0.3% in June. Growth in consumer demand is beginning to slow and should crest by the end of 1988. □



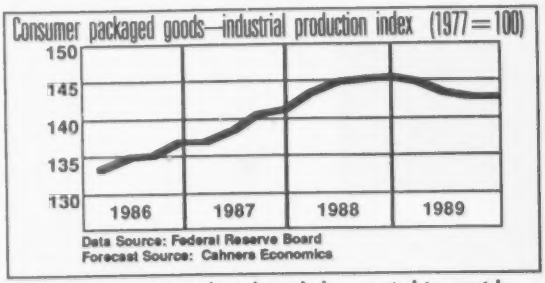
After a solid 1987, process industries will continue to show strong performance this year as well.



Foreign orders are helping OEM grow almost 7% in 1988 before slowing down in 1989.



Capacity utilization in the chemical sector should ease off at the beginning of 1989.

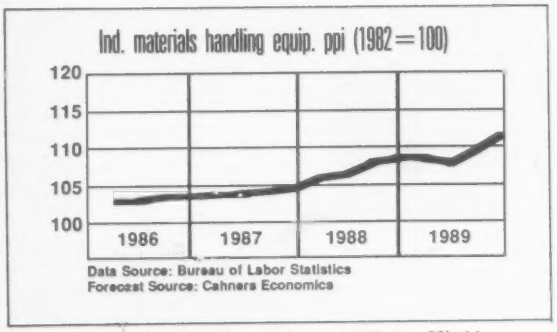


Output of consumer packaged goods is expected to crest by the end of this year.

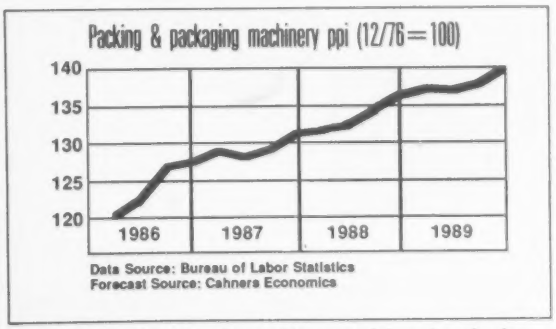
SUPPLY OUTLOOK

Strong advances in producer prices

The Producer Price Index for intermediate materials and components rose 0.9% from May to June, more than in any recent month. The acceleration from 0.6% in May resulted primarily from the surge in the intermediate foods and feeds index. Electric power prices shot up 3.6%, mostly due to strong demand in hot weather. Large advances were also registered in primary metals, chemicals, paper, and some synthetic compounds. In the manufacturing category, prices for electronic components rose 1.4%, mainly due to a shortage of random access memory chips. Aircraft engines and motors also registered gains.



Prices for materials handling equipment will rise 3% this year and will continue to rise in '89.



The producer price index for packing materials and packaging machinery will move in step with inflation.

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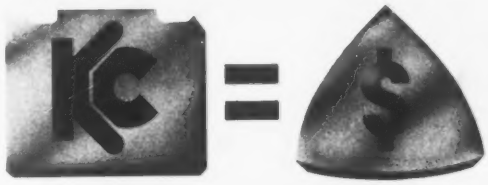

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